

AN OVERVIEW OF FEDERAL FUNDING FOR DHS PROGRAMS

The department's budget for state fiscal year 2001 was approximately \$2,478,800,000 excluding property tax relief, mental retardation and developmental disability allowed growth, and costs for case management, refugee services and food stamp benefits which are 100% federally funded.

Federal funds accounted for 58% of this amount. (Source = DHS Budget Book for SFY 2001)

BASIC TYPES OF FEDERAL FUNDING:

The Department of Human Services receives the following types of federal funding:

- ⇒ **Entitlement** – there is no limit to the amount of federal funds that can be drawn down; e.g., funding is based on demand or use by eligible persons. Medicaid is an example of an entitlement.
- ⇒ **Formula grants** – a specified mathematical formula is used to determine the amount of funds the department receives. The amount may vary over time based on the factors used in the formula, or be fixed for a number of years. The Social Services Block Grant (SSBG) and Temporary Assistance for Needy Families (TANF) are formula block grants.
- ⇒ **Competitive grants** – the department completes a grant application in response to a Notice of Funding Availability or similar announcement and competes against other applicants for the same funds.

The bulk of the department's federal funding comes from entitlement and formula grant funds. Funds from competitive grants represent a very small portion of total federal funding each year (typically less than 1% per year). The department does apply for competitive grants and has received such grants, but the availability and dollar amounts are very limited.

LIMITS/CONDITIONS FOR RECEIVING FEDERAL FUNDS:

Each federal funding source comes with its own requirements and restrictions regarding what the funds can and can't be spent on. In some cases, the restrictions are very explicit and proscriptive. Block grants typically give states more flexibility in determining how funds are used to achieve specified results. Competitive grants, while allowing states flexibility in designing proposals, often have a fairly narrow focus with regard to using funds.

One element common to nearly all federal funding sources is a requirement that states expend state funds to share in the cost of providing benefits and services and program administration. States typically share these costs in one of two ways.

- **State match requirement** – Both entitlement and competitive grants generally require that states expend funds at a specified rate in relation to the amount of federal funds requested or spent. For example, a competitive grant may require that the state commit/contribute \$1 for every \$3 in federal funds requested/received. Many entitlement programs, such as Medicaid and Child Support Enforcement, use a federal financial participation (FFP) rate in which the federal government pays a specified percentage of program costs incurred and the state pays the remaining percentage. The FFP rate varies from program to program and may be based on a number of factors. FFP rates may vary for the same program for different types of activities, and within a given range between states.

- ***State maintenance of effort (MOE) requirement*** – Block grants typically require that states continue to spend state funds based on some historic level of state expenditures for the types of programs and services eligible for funding under the block grant. For example, the federal Temporary Assistance for Needy Families (TANF) block grant requires that states spend 80% of historic spending (reduced to 75% if the state meets required work participation rates).

In some cases, such as the Child Care Development Fund (CCDF), there may be both a state match and maintenance of effort requirement because the federal source is comprised of more than one component, each with its own cost sharing provision.

MAJOR FEDERAL FUNDING SOURCES:

Attached is a table identifying the major federal funding sources for programs administered by the department. The dollar figures reported represent actual expenditures during federal fiscal year 2001 (October 2000 – September 2001) and come from information provided by Federal Funds Information for States (FFIS), a joint subscription service of the National Governors' Association and the National Conference of State Legislatures. The table illustrates the program areas that receive the most federal funding. The department receives additional funding from a number of other federal sources, although in lesser amounts.

IMPACT OF PRESIDENT'S FEDERAL FISCAL YEAR 2003 BUDGET:

Because so much of the department's funding comes from the federal government, the federal budget and resulting appropriations have a major impact on the department's budget. President Bush's recently proposed budget for federal fiscal year 2003 (beginning October 1, 2002) includes the following provisions which have the potential to have a significant impact on the department and the state (additional detail about these provisions and estimated impact on Iowa are not available at this time):

- Removes the federal cap on costs for implementing a statewide electronic benefit transfer (EBT) system for issuing food stamp benefits. Federal law requires all states to have an EBT system but previously limited the amount of costs the federal government would share in meeting. This will save state funds (amount yet to be determined).
- Retains the ability of states to transfer up to 30% of their TANF block grant to child care or the Social Services Block Grant (SSBG), but limits the transfer to SSBG to 4.25% while maintaining the current funding level for SSBG. (SSBG funding was significantly reduced in past years requiring states to transfer more TANF funds to make up for the loss; previously, states could transfer up to 10% of their TANF grant to SSBG.) Limiting the SSBG transfer to 4.25% would mean approximately \$6 million less available for SSBG services starting in SFY 04, requiring either a reduction in these services or additional state funds.
- Requires an annual fee of \$25 for child support enforcement services to families who have never received TANF; proceeds to be split between the state and federal government based on the child support FFP rate.
- Overall funding for Promoting Safe and Stable Families and Adoption Assistance is increased while funding for Foster Care is decreased (specific impact on Iowa is unknown).

AN OVERVIEW OF FEDERAL FUNDING FOR DHS PROGRAMS
(Prepared by the Division of Fiscal Management February 2002)

- Extends the availability of expiring State Child Health Insurance Program (SCHIP = HAWK-I) funds until 2006 rather than 2002/2003 when states would have lost unobligated allocated funds.
- Improves the drug rebate program in Medicaid by comparing the best manufacturer's price to the manufacturer's average wholesale price rather than to the current average manufacturer's price, resulting in cost savings for Medicaid.

AN OVERVIEW OF FEDERAL FUNDING FOR DHS PROGRAMS

Source of Information = Federal Fund Information for States (FFIS) <http://www.ffis.org>

Fund	Purpose/Uses	FFY 01 Expenditures
Adoption Assistance (Title IV-E)	Preparing, matching, supporting, and supervising the placement of children in adoptive homes. DHS also provides financial assistance, medical coverage, and special services to families who adopt children with special needs.	\$18,750,000
Child Care Development Fund (CCDF)	Helps low-income families with child care costs while they work, attend school or training and to improve child care quality, capacity, availability and affordability.	\$32,934,000
Children's Health Insurance Program (CHIP) = HAWK-I (Title XXI)	Medical assistance for uninsured children over income for Medicaid.	\$32,643,000
Child Support Recovery (Title IV-D)	Paternity and support order establishment and enforcement; collection and distribution of support payments.	\$31,349,000
Foster Care (Title IV-E)	Placement and maintenance costs for children in foster care	\$36,466,000
Food Stamps	Food Stamp benefits help low-income individuals and families with food costs and are 100% federally funded. Federal funds are also used for employment and training services and administrative costs.	\$119,376,000 of which \$106,830 was for benefits
Medicaid (Title XIX)	Medical assistance services for families with dependent children, pregnant women, foster and adoptive children, aged, blind and disabled.	\$1,185,701,000
Social Services Block Grant (SSBG) (Title XX)	Funds are used to prevent, reduce, or eliminate dependency; prevent neglect, abuse, or exploitation of children and adults; prevent or reduce inappropriate institutional care; and provide admission or referral for institutional care when other forms of care are inappropriate.	\$18,202,000
Temporary Assistance for Needy Families (TANF) (Title IV-A)	Can be used for any of four purposes established by federal law: provide assistance to needy families; end dependence of needy parents; prevent and reduce out-of-wedlock pregnancies; encourage the formation and maintenance of 2-parent families. Up to 30% can be transferred for child care and SSBG. Used for FIP, PROMISE JOBS, child care and SSBG transfer, child welfare services and various other programs.	\$131,525,000